

July 30, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT NO. 1 TO OPTION AGREEMENT FOR
TRANSFER OF REAL PROPERTY WITH THE CITY OF NORWALK
(FOURTH) (4 VOTE)**

IT IS RECOMMENDED THAT YOUR BOARD:

Instruct the Chief Administrative Officer to execute the attached Amendment No. 1 to the Option Agreement for Transfer of Real Property (Option Agreement) with the City of Norwalk Redevelopment Agency (City) which clarifies how additional project costs or savings resulting from the construction of the parking structure will be applied in determining the ultimate purchase price of the property and improvements in the vicinity of the Norwalk Courthouse.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On April 30, 2002, your Board approved the Option Agreement, under which the City of Norwalk will construct a judges' parking structure for the Norwalk Courthouse in exchange for the transfer of certain nearby County property and a cash payment from the County. The purpose of this action is to amend the Option Agreement to reflect the understanding of City and County staff on how additional project costs or savings from the construction of the parking structure will be applied in determining the final County cash payment for the property and improvements to be completed by the City.

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The Option Agreement provided a mechanism whereby increases or decreases in actual construction costs from the budgeted amount would be shared proportionately between the County and the City with the County's share being 60 percent and the City's 40 percent. The intent of the parties, however, was to allow the County a dollar-for-dollar reduction in the purchase price from any savings realized from construction of the parking structure while any increases to the project would be shared under the 60/40 formula as mentioned above.

Approval of the proposed amendment will align the legal documents with the business deal previously negotiated between the County and City staff. In addition, the original project budget will be reduced to eliminate any costs for City Hall improvements inadvertently included in the original project budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The County Strategic Plan directs that we invest in public infrastructure in order to strengthen the County's fiscal capacity. Securing the exclusive right to exchange real property to fill an identified public infrastructure need supports this strategy by complying with the Strategic Asset Management Principles (Goal 4, Strategy 2, Objective 2).

FISCAL IMPACT/FINANCING

The recommended action will not have any fiscal impact in the current fiscal year. However, the purchase price of the property and improvements may have an impact depending on whether construction savings or cost overruns from the build-out of the parking structure are experienced.

Additionally, Exhibit "E" to the Option Amendment, which is an estimated cost prepared by Vestar, the City's developer, and referred to in the Option Agreement as the Budget, has been updated to remove from the project any costs associated with City Hall improvements necessitated by the construction of the parking structure. These costs are to be borne entirely by the City and should have no fiscal impact to the County.

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FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The attached Amendment to the Option Agreement to clarify the parties' understanding of the allocation of additional costs and savings from the construction of the parking structure is in compliance with Section 25365 of the California Government Code.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Current operations and service will continue without interruption until the secured parking structure is completed and accepted by the County. When the Option is exercised, the judges' parking will be relocated to the new facility and portions of the current surface parking lot transferred to the City.

ENVIRONMENTAL DOCUMENTATION

On April 30, 2002, your Board found the transfer of properties contemplated in the Agreement categorically exempt under Class 12 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987. For the development of the parking lot, the City, as lead agency is responsible for preparation of environmental documentation in compliance with CEQA. The CAO will review and consider the City's environmental documentation and the potential environmental impacts of acquiring Parcel 5 prior to exercising its option pursuant to the Agreement and return to the Board if further action is needed.

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CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return to the CAO, Real Estate Division, Property Management Section, 222 South Hill Street, 3rd Floor, Los Angeles California, one stamped copy of this adopted Board letter and the original amendment to be signed by the Chief Administrative Officer upon execution by the City of Norwalk Redevelopment Agency and approval by your Board.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY
CWW:CB:rmc

Attachment

c: County Counsel
Assessor
Auditor-Controller
Department of Public Works

AMENDMENT NO. 1 TO OPTION AGREEMENT TO EXCHANGE
REAL PROPERTY WITH THE CITY OF NORWALK

THIS AMENDMENT, made and entered into this ____ day of _____, 2002.

BY AND BETWEEN

THE COUNTY OF LOS ANGELES, a
body corporate and politic, hereinafter
referred to as "COUNTY",

AND

CITY OF NORWALK REDEVELOPMENT
AGENCY, a public agency, hereinafter
referred to as "AGENCY",

W I T N E S S E T H:

WHEREAS, County and Agency entered into an Option Agreement dated April 30, 2002; and

WHEREAS, County and Agency wish to amend said Option Agreement to clarify the parties' understanding of the allocation of additional costs and savings from the construction of the Parking Structure.

NOW THEREFORE, in consideration of the foregoing, County and Agency agree to amend the Option Agreement as follows:

1. Paragraph 2.10 of the Option Agreement is hereby deleted and the following inserted in substitution thereof:

2.10 Estimated Construction Budget, Additional Costs. The parties have developed an estimated budget for the cost of construction of the Parking Structure (the "Budget") which is attached hereto as Exhibit "E." The parties acknowledge that the actual cost of construction may vary from the Budget and thereby affect the agreed upon value of the property and improvements which are the subject of this Agreement. Accordingly, the parties agree that the Purchase Price may be adjusted based upon increases or decreases in the cost of construction. The Purchase Price shall be reduced by one hundred percent (100%) of any decreases in the cost of construction from the amount reflected in the Budget. For increases that do not exceed five percent (5%) of the Budget, the Purchase Price shall be increased by sixty percent (60%) of any increases in the cost of construction from the amount reflected in the Budget, except that any costs in addition to those budgeted, associated with upgrades to the Norwalk Courthouse, shall be borne solely by the County and shall not be included in any calculation apportioning increases in cost between the Agency and the County. No construction

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IN WITNESS WHEREOF, the Agency has executed this Amendment to the Option Agreement, and the County of Los Angeles by order of its Board of Supervisors, has caused this Amendment to be executed on its behalf by the Chairman of said Board and attested by the Clerk the day, month, and year first above written.

ATTEST:

CITY OF NORWALK
REDEVELOPMENT AGENCY

By: _____

By: _____

ATTEST:
VIOLET VARONA-LUKENS
Executive Officer of
The Board of Supervisors

COUNTY OF LOS ANGELES

By: _____
Deputy

By: _____
DAVID E. JANSSEN
Chief Administrative Officer

APPROVED AS TO FORM:

LLOYD W. PELLMAN
County Counsel

By: _____
Deputy